

Decision No. 22034.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 INLAND EMPIRE GAS COMPANY,  
 a corporation, and NATURAL GAS COR-  
 PORATION OF CALIFORNIA, a corporation,  
 for an order of the Railroad Commis-  
 sion of the State of California auth-  
 orizing the former to sell and convey  
 and the latter to purchase and acquire  
 the properties and rights referred to  
 in this application and for a further  
 order authorizing the latter to issue  
 and sell its capital stock.

ORIGINAL

Application No. 16896

W. F. Williamson, Wallace & Vaughan,  
 by R. L. Vaughan, for Inland  
 Empire Gas Company;

Pillsbury, Madison & Sutro, for Natural  
 Gas Corporation of California.

BY THE COMMISSION:

O P I N I O N

Applicants in this proceeding ask the Railroad Com-  
 mission to enter its order authorizing Inland Empire Gas Company  
 to sell and transfer all of its operative rights, properties and  
 business to Natural Gas Corporation of California, and authorizing  
 Natural Gas Corporation of California to acquire such rights, prop-  
 erties and business, and to issue and sell One Thousand Two Hun-  
 dred and Forty-Five (1,245) shares of its common capital stock at  
 a price of \$124,500.00 and use the proceeds to pay for the afore-  
 said operative rights, properties and business.

The Railroad Commission by its order in Decision No. 15888, dated January 21, 1926, in Application No. 12116, granted to the Inland Empire Gas Company permission to construct, operate and maintain an artificial gas generating plant located at El Centro, and to construct, operate and maintain transmission and distribution lines to sell gas for domestic and commercial purposes in El Centro, Imperial, Brawley, Heber, Calexico and intervening and adjacent territory. By the same order, the Commission authorized the company to issue stock for the purpose of financing the construction of the proposed gas generating, transmission and distribution properties. It appears of record that under the authority granted by the Commission, the company has issued \$81,850.00 of common and \$68,350.00 of preferred stock. In addition, it has received subscriptions for \$37,150.00 of stock which has not been issued because of the fact that the subscribers failed to complete their payments. From time to time the company has issued, as permitted by the provisions of the Public Utilities Act and the Commission's General Order No. 44, short term notes to pay in part for its properties. It has constructed a gas generating plant at El Centro and is now engaged in distributing artificial gas in that city.

The assets and liabilities of Inland Empire Gas Company as of July 31, 1930 are reported as follows:-

<u>A S S E T S</u>		
<u>FIXED ASSETS:</u>		
Fixed capital in service .....	\$327,884.74	
Work in progress .....	5,891.88	
Total fixed assets.....		\$333,776.52
<u>CURRENT ASSETS:</u>		
Cash .....	4,674.12	
Notes receivable .....	170.35	
Accounts receivable .....	12,703.60	
Material and supplies .....	16,711.02	
Prepayments .....	747.50	
Subscriptions to capital stock .....	26,078.56*	
Total current assets .....		61,095.25
<u>SUSPENSE:</u>		
Extraordinary deferred charges .....	2,517.03	
Miscellaneous deferred debits.....	2,134.99	
Total suspense.....		4,652.02
TOTAL ASSETS.....		<u>\$399,513.89</u>

\*Deficit

LIABILITIES

<u>CAPITAL STOCK:</u>		
Capital stock- Common .....	\$81,850.00	
Capital stock- Preferred .....	68,350.00	
Capital stock-Subscribed.....	<u>37,150.00</u>	
Total capital stock ....		\$187,350.00*
<u>CURRENT LIABILITIES:</u>		
Notes payable .....	125,000.00	
Accounts payable .....	12,382.38	
Customers' deposits.....	<u>5,143.00</u>	
Total current liabilities....		142,525.38
<u>INTER COMPANY LIABILITIES:</u>		
Advances from affiliated companies....	<u>28,989.13</u>	
Total inter company liabilities		28,989.13
<u>ACCRUED LIABILITIES:</u>		
Taxes accrued .....	7,583.85	
Interest accrued .....	22,885.59	
Compensation insurance accrued.....	<u>131.54</u>	
Total accrued liabilities.....		36,600.98
<u>RESERVES:</u>		
Depreciation reserve.....	25,624.04	
Uncollectible accounts reserve.....	2,971.61	
Reserve for contingent liabilities	<u>7,655.49</u>	
Total reserves.....		36,251.14
<u>SURPLUS</u> .....		<u>32,202.74*</u>
*Deficit		
TOTAL LIABILITIES.....		<u>\$ 399,513.89</u>

Inland Empire Gas Company in a supplemental petition filed in Application No. 12116 asks the Commission to modify its order in Decision No. 15838, dated January 21, 1926 so as to permit the applicant to construct liquefied natural gas plants in the communities of Imperial, Brawley, Heber and Calexico in lieu of the construction authorized by said order. The granting of this supplemental petition is being taken care of by a supplemental order in Application No. 12116.

It appears of record that the Natural Gas Corporation of California was incorporated under and by virtue of the laws of the State of California on November 15, 1929. It has from time to time obtained permission from the Commission to construct liquefied natural gas plants in several towns or cities in the State

of California and is now before the Commission seeking permission to build such plants in other towns and cities. It appears from the record that a liquefied natural gas plant has been constructed at Brawley and also a plant at ~~Imperial~~ <sup>Calveria</sup> and that these plants are practically completed and will be placed in operation within a few days. H.M.

The record shows that all of the outstanding capital stock of the Inland Empire Gas Company, except fifty-six shares, is owned by the Pacific Public Service Company, which, through stock ownership, will control Natural Gas Corporation of California, and which in turn is controlled by Standard Oil Company of California. It is ready and willing to purchase the remaining fifty-six shares which it has not yet acquired. It also appears that the Pacific Public Service Company has undertaken to reimburse subscribers for stock of the Inland Empire Gas Company to the extent that they have made payments on their stock subscriptions.

Exhibit "B" shows that the Natural Gas Corporation of California has offered to purchase the entire properties and assets of Inland Empire Gas Company and to pay therefor a sum equal to the net book worth of the company, as disclosed by the books of the company on the date of the acceptance of the offer. As of July 31, 1930, the amount which would have had to be paid under the offer was \$129,068.70. In addition, the purchaser agrees to assume and pay all of the obligations of Inland Empire Gas Company, to indemnify it against all liability resulting from failure to pay debts or other obligations of said Inland Empire Gas Company. In arriving at the purchase price there has been deducted from the outstanding stock the amount of stock subscribed for but not yet issued, and the accumulated deficit which on

July 31, 1930 was \$32,202.74. It is the intention of the purchaser to record on its books the assets and liabilities, except for the outstanding stock and deficit, as they now appear on the books of the Inland Empire Gas Company.

No one appeared to protest the granting of this application.

ORDER

Inland Empire Gas Company having asked permission to sell its properties to Natural Gas Corporation of California and the latter company to acquire the same and to issue stock, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by Natural Gas Corporation of California for the purpose herein stated, that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

- (1) Inland Empire Gas Company may, on or before December 31, 1930, sell all of its operative rights, properties and business to Natural Gas Corporation of California.
- (2) Natural Gas Corporation of California may acquire and operate the aforesaid properties and issue, on or before December 31, 1930, One Thousand Two Hundred and Forty-five (1,245) shares of its capital stock for the sum of \$124,500.00 and use said proceeds

or said stock to pay in part for the operative rights, properties and business of Inland Empire Gas Company.

(3) The consideration which Natural Gas Corporation of California pays for the operative rights, properties and business of Inland Empire Gas Company shall not be urged before this Commission as determining the value of its properties other than the transfer herein authorized.

(4) The authority herein granted will become effective upon the date hereof.

(5) Natural Gas Corporation of California shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month, a verified report, as required by the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 3<sup>rd</sup> day of November, 1930.

C. L. J. J. J.  
[Signature]  
[Signature]  
[Signature]

Commissioners.